

## BNNB Statement

11<sup>th</sup> May, 2023.

### **THE 2024 NATIONAL BUDGET MUST ALLOW FOR CUSHIONING INTERVENTIONS IN THE MIDST OF HIGH LIVING COSTS**

The cost of living for a family of five as measured by the Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) for the month of April 2023 in Lusaka stood at K9, 112.6. This represents an increase of K109.39 over the K9, 003.21 recorded in March 2023. The basket's upward movement can be attributed to price increases in food items such as 4kg onion, which increased by K51.96 from K76.93 (19.23/kg) to K128.89 (K32.2/Kg), 14kg other fruits, which increased by K49.09 from K402.38 (K28.74/ kg) to K451.47 (K32.25/ kg) and 5kg chicken, which increased by K41.57 from K251.17 (K100.47/2kg) to K292.74 (117.09/2kg). Non-food items in the basket, however, saw slight decreases, including 4 boxes of 400g wash soap (*Boom*) which dropped by K10.66 from K76.98 (K19.25/400g) to K66.32 (16.58/400g) and 3 tablets of soap, which dropped by K10.29 from K41.56 (K13.14/ tablet) to K31.27 (K10.42/ tablet).

During the month of reflection, an analysis of the performance of various major economic fundamentals revealed slight variations. The Zambian kwacha appreciated against international currencies such as the US dollar (by slightly more than 10%). The annual inflation rate increased to 10.2 percent in April 2023, up from 9.9 percent in March 2023, attributable to price increases in certain non-food products according to the Zambia Statistics Agency. Nonetheless, the Energy Regulation Board (ERB) reduced the price of diesel at the pump, while the price of petrol remained unchanged.

JCTR applauds the Government, through the Ministry of Finance and National Planning, for commencing the preparations for the 2024 national budget on schedule and in accordance with the law. In disseminating the April 2023 BNNB, the centre focuses its analysis on this critical exercise mostly because the budget is a powerful economic tool that influences the direction of economic policy and other development initiatives.

Several improvements have been recognised over time, especially through the budget currently under implementation. Some examples include the adoption of a higher non-taxable threshold of K4, 800 through Pay as You Earn (PAYE), greater social protection allocations as a result of the elimination of subsidies, and enhanced health and education budget allocations, among others. However, the JCTR observes that in the first four months of 2023, the cost of living in Lusaka has averaged at about K9, 110.3, with the national average basket standing at K6, 629.9<sup>1</sup>. This is still significantly higher than the national average monthly income of K4, 215<sup>2</sup>. In the face of the continued Ukraine-Russia war's impact on commodity prices, delayed debt restructuring negotiations, delayed delivery

<sup>1</sup> According to JCTR BNNB from 16 districts across the country.

<sup>2</sup> 2021 Labour Force Survey

of farming inputs in the 2022/23 farming season, high unemployment and minimal adjustments to the minimum wage, even good social protection programmes, as seen, might be undermined by a high cost of living.

Informed by these challenges JCTR takes the preparation of the 2024 National Budget and its subsequent implementation as an opportunity to encourage and urge the government to promote structural equality. This can be accomplished by ensuring that measures already in place to guarantee that the process is inclusive, notably by accommodating perspectives from all sectors of the economy, particularly those who are marginalised and vulnerable, are followed to the letter.

JCTR is therefore calling for the following:

1. International creditors to promptly offer Zambia debt relief. This is critical in freeing up fiscal space to support the welfare of the most vulnerable amidst the high cost of living.
2. Government to continue the practice of being transparent on public financial matters by providing timely updates and details of various proposed development options.
3. Government to provide a robust domestic resource mobilisation strategy to prevent further debt contraction, support social sector spending and arrest the high living cost.
4. More initiatives through the national budget to provide cost of living relief, particularly for the dignity of vulnerable groups. These might include revising upwards the PAYE non tax bands, capitalizing on VAT and corporate tax.
5. Broad based consultations in the current ongoing budget preparation as well as Medium Term Expenditure Framework (2024 to 2026). This will allow for the exploration of both income-based and cost-based options to enhance economic growth and curtail the rise in the cost of living.

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